

**SENATE FLOOR VERSION**

March 30, 2015

ENGROSSED HOUSE  
BILL NO. 1053

By: McDaniel (Randy) of the  
House

and

Brinkley of the Senate

An Act relating to the Oklahoma Law Enforcement Retirement System; amending 47 O.S. 2011, Sections 2-301, 2-303.1, as last amended by Section 1, Chapter 119, O.S.L. 2013, 2-305.1A, as amended by Section 2, Chapter 52, O.S.L. 2012 and 2-305.2 (47 O.S. Supp. 2014, Sections 2-303.1 and 2-305.1A), which relate to certain benefits; conforming statutory references to the Internal Revenue Code of 1986, as amended; stating intent to comply with certain requirements; providing for disposition of revenues in certain subaccounts related to Section 401(h) of the Internal Revenue Code of 1986, as amended; requiring Board of Trustees to develop procedures regarding rollover distributions; requiring adherence to certain guidance under I.R.S. notice; prescribing certain interest rate for purposes of Deferred Retirement Option Plan; authorizing amendments; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 47 O.S. 2011, Section 2-301, is amended to read as follows:

Section 2-301. There is hereby established a System for the payment of retirement benefits and certain medical and hospital

1 expenses of members of the Oklahoma Law Enforcement Retirement  
2 System. Effective July 1, 2014, the System intends to satisfy  
3 Section 401(a) of the Internal Revenue Code of 1986, as amended from  
4 time to time, by meeting the requirements of Section 414(d) of the  
5 Internal Revenue Code of 1986, as amended from time to time. Such  
6 System shall constitute an amendment and continuation of the  
7 Retirement and Pension Plan of the Department of Public Safety and  
8 members in the Retirement and Pension Plan on June 30, 1980, shall  
9 continue as members of the Oklahoma Law Enforcement Retirement  
10 System. There is established in the State Treasury a special fund  
11 designated as the "Oklahoma Law Enforcement Retirement Fund" for the  
12 benefit of members of the System and certain dependents of deceased  
13 members of the System. Such fund shall be a continuation, under a  
14 new name, of the Retirement and Pension Fund of the Department of  
15 Public Safety.

16 There is hereby created the Retirement Medical Benefit Fund.  
17 The fund shall be maintained as a subaccount of the Oklahoma Law  
18 Enforcement Retirement Fund. The Retirement Medical Benefit Fund is  
19 composed of all assets which may be contributed to this subaccount  
20 to pay the retirement system's portion of the monthly retiree health  
21 insurance premium benefit described by Section 1316.2 of Title 74 of  
22 the Oklahoma Statutes. Such monthly retiree health insurance  
23 premium benefit is in addition to, and subordinate to, the  
24 retirement benefits provided by this System. All such allocated

1 assets and any earnings thereon in the Retirement Medical Benefit  
2 Fund shall be held for the exclusive purpose of providing retiree  
3 medical benefits. The Retirement Medical Benefit Fund is to be  
4 administered in accordance with the requirements of Section 401(h)  
5 of the Internal Revenue Code of 1986, as amended from time to time.  
6 It shall be impossible, at any time prior to the satisfaction of all  
7 liabilities for these benefits, for any part of this subaccount to  
8 be used for or diverted to, any purpose other than the providing of  
9 the retiree health insurance premium benefit and the payment of  
10 necessary and appropriate related expenses. Notwithstanding the  
11 provisions of Section 401(a)(2) of the Internal Revenue Code of  
12 1986, as amended from time to time, effective July 1, 2014, upon the  
13 satisfaction of all liabilities under the Oklahoma Law Enforcement  
14 Retirement System to provide Section 401(h) medical benefits, any  
15 amount remaining in such separate subaccount must be returned to the  
16 employer. Effective July 1, 2014, in the event an individual's  
17 interest in the medical benefits subaccount is forfeited prior to  
18 the termination of the Oklahoma Law Enforcement Retirement System,  
19 an amount equal to the amount of the forfeiture must be applied as  
20 soon as possible to reduce employer contributions to fund the  
21 medical benefits described in Section 401(h). The Board of Trustees  
22 may promulgate such rules as are necessary to implement the funding  
23 and administration of the fund pursuant to the provisions of this  
24 subsection. All contributions to fund the retiree health insurance

1 benefit shall be made on the basis of a generally accepted actuarial  
2 method. Notwithstanding anything contained herein to the contrary,  
3 the aggregate of contributions to provide retiree health insurance  
4 benefits and life insurance, if any, shall not exceed twenty-five  
5 percent (25%) of the aggregate contributions made to fund all  
6 benefits under this System, other than contributions to fund past  
7 service costs. For this purpose, "life insurance" means, as to any  
8 member, the in-service death benefit that would be payable upon the  
9 member's death, but only to the extent that the lump-sum value of  
10 such death benefit would exceed the lump-sum value of the member's  
11 accrued benefit at the date of the member's death.

12 Appointment to any position within a covered agency which comes  
13 under this System shall not jeopardize the rights of any person who  
14 has previously qualified for membership under this System, provided,  
15 that the individual contributions are continued, and such person  
16 remains a member of this System. Any person who has previously  
17 qualified for membership under the System who voluntarily seeks and  
18 accepts appointment to any position within a covered agency which is  
19 not a covered position excludes the member from further  
20 participation in this System; provided, this provision shall not  
21 apply to any person who is a member of the System and who, on or  
22 before June 30, 2002, has already accepted appointment to a position  
23 which is not a covered position of the System nor shall it apply if  
24

1 that person seeks and accepts any other position within a covered  
2 agency which is not a covered position of the System.

3 SECTION 2. AMENDATORY 47 O.S. 2011, Section 2-303.1, as  
4 last amended by Section 1, Chapter 119, O.S.L. 2013 (47 O.S. Supp.  
5 2014, Section 2-303.1), is amended to read as follows:

6 Section 2-303.1 A. The Oklahoma Law Enforcement Retirement  
7 Board shall discharge its duties with respect to the System solely  
8 in the interest of the participants and beneficiaries and:

9 1. For the exclusive purpose of:

10 a. providing benefits to participants and their  
11 beneficiaries, and

12 b. defraying reasonable expenses of administering the  
13 System;

14 2. With the care, skill, prudence, and diligence under the  
15 circumstances then prevailing that a prudent person acting in a like  
16 capacity and familiar with such matters would use in the conduct of  
17 an enterprise of a like character and with like aims;

18 3. By diversifying the investments of the System so as to  
19 minimize the risk of large losses, unless under the circumstances it  
20 is clearly prudent not to do so; and

21 4. In accordance with the laws, documents and instruments  
22 governing the System.

23 B. The Board may procure insurance indemnifying the members of  
24 the Board from personal loss or accountability from liability

1 resulting from a member's action or inaction as a member of the  
2 Board.

3 C. The Board may establish an investment committee. The  
4 investment committee shall be composed of not more than five (5)  
5 members of the Board appointed by the president of the Board. The  
6 committee shall make recommendations to the full Board on all  
7 matters related to the choice of custodians and managers of the  
8 assets of the System, on the establishment of investment and fund  
9 management guidelines, and in planning future investment policy.  
10 The committee shall have no authority to act on behalf of the Board  
11 in any circumstances whatsoever. No recommendation of the committee  
12 shall have effect as an action of the Board nor take effect without  
13 the approval of the Board as provided by law.

14 D. The Board shall retain qualified investment managers to  
15 provide for the investment of the monies of the System. The  
16 investment managers shall be chosen by a solicitation of proposals  
17 on a competitive bid basis pursuant to standards set by the Board.  
18 Subject to the overall investment guidelines set by the Board, the  
19 investment managers shall have full discretion in the management of  
20 those monies of the System allocated to the investment managers.  
21 The Board shall manage those monies not specifically allocated to  
22 the investment managers. The monies of the System allocated to the  
23 investment managers shall be actively managed by the investment  
24 managers, which may include selling investments and realizing losses

1 if such action is considered advantageous to longer term return  
2 maximization. Because of the total return objective, no distinction  
3 shall be made for management and performance evaluation purposes  
4 between realized and unrealized capital gains and losses.

5 E. All assets of the System shall be held in trust for the  
6 exclusive purpose of providing benefits for the members and  
7 beneficiaries of the System, including defraying reasonable expenses  
8 of administering the System, and shall not be encumbered for or  
9 diverted to any other purposes. Funds and revenues for investment  
10 by the investment managers or the Board shall be placed with a  
11 custodian selected by the Board. The custodian shall be a bank or  
12 trust company offering pension fund master trustee and master  
13 custodial services, and any related custodial agreement or trust  
14 agreement is incorporated herein by reference. The custodian shall  
15 be chosen by a solicitation of proposals on a competitive bid basis  
16 pursuant to standards set by the Board. In compliance with the  
17 investment policy guidelines of the Board, the custodian bank or  
18 trust company shall be contractually responsible for ensuring that  
19 all monies of the System are invested in income-producing investment  
20 vehicles at all times. If a custodian bank or trust company has not  
21 received direction from the investment managers of the System as to  
22 the investment of the monies of the System in specific investment  
23 vehicles, the custodian bank or trust company shall be contractually  
24 responsible to the Board for investing the monies in appropriately

1 collateralized short-term interest-bearing investment vehicles. Any  
2 assets of the System may be invested in a collective investment fund  
3 or in a group trust provided the investment in such collective  
4 investment fund or group trust is in compliance with the provisions  
5 of Rev. Rul. 81-100, as further amended by Rev. Rul. 2004-67, Rev.  
6 Rul. 2008-40, and Rev. Rul. 2011-1, or any successor ruling,  
7 regulation, or similar pronouncement. Each such collective  
8 investment fund or group trust is adopted with respect to any monies  
9 invested therein, as part of the System, its trust and custodial  
10 agreement, and the provisions of such trust agreement or such  
11 declaration of trust and related adoption, participation, investment  
12 management, subtrust or other agreements, as amended from time to  
13 time, with respect to any monies invested therein, are incorporated  
14 by reference into the System, its trust agreement(s) or custodial  
15 agreement(s), upon approval by the Board.

16 F. Prior to August 1 of each year, the Board shall develop a  
17 written investment plan for the System.

18 G. The Board shall compile a quarterly financial report of all  
19 the funds of the System on a fiscal year basis. The report shall be  
20 compiled pursuant to uniform reporting standards prescribed by the  
21 Oklahoma State Pension Commission for all state retirement systems.  
22 The report shall include several relevant measures of investment  
23 value, including acquisition cost and current fair market value with  
24 appropriate summaries of total holdings and returns. The report

1 shall contain combined and individual rate of returns of the  
2 investment managers by category of investment, over periods of time.  
3 The Board shall include in the quarterly reports all commissions,  
4 fees or payments for investment services performed on behalf of the  
5 Board. The report shall be distributed to the Governor, the  
6 Oklahoma State Pension Commission, the Legislative Service Bureau,  
7 the Speaker of the House of Representatives and the President Pro  
8 Tempore of the Senate.

9 H. After July 1 and before October 31 of each year, the Board  
10 shall publish widely an annual report presented in simple and easily  
11 understood language pursuant to uniform reporting standards  
12 prescribed by the Oklahoma State Pension Commission for all state  
13 retirement systems. The report shall be submitted to the Governor,  
14 the Speaker of the House of Representatives, the President Pro  
15 Tempore of the Senate, the Oklahoma State Pension Commission and the  
16 members of the System. The annual report shall cover the operation  
17 of the System during the past fiscal year, including income,  
18 disbursements, and the financial condition of the System at the end  
19 of the fiscal year. The annual report shall also contain the  
20 information issued in the quarterly reports required pursuant to  
21 subsection G of this section as well as a summary of the results of  
22 the most recent actuarial valuation to include total assets, total  
23 liabilities, unfunded liability or over funded status, contributions  
24 and any other information deemed relevant by the Board. The annual

1 report shall be written in such a manner as to permit a readily  
2 understandable means for analyzing the financial condition and  
3 performance of the System for the fiscal year. The annual financial  
4 statements must be audited and filed in accordance with the  
5 requirements set forth for financial statement audits in Section  
6 212A of Title 74 of the Oklahoma Statutes.

7 I. The Board may retain an attorney licensed to practice law in  
8 this state. The attorney shall serve at the pleasure of the Board  
9 for such compensation as set by the Board. The Attorney General  
10 shall furnish such legal services as may be requested by the Board.

11 J. All information, documents and copies thereof contained in a  
12 member's retirement file shall be given confidential treatment and  
13 shall not be made public by the System without the prior written  
14 consent of the member to which it pertains, but shall be subject  
15 only to court order. Provided, the System, its employees or  
16 attorneys, may use such records in defense of any action brought  
17 against the System.

18 K. Effective July 1, 1999, the Board is hereby authorized to do  
19 all acts and things necessary and proper to carry out the purpose of  
20 the System and to make the least costly amendments and changes, if  
21 any, as may be necessary to qualify the System under the applicable  
22 sections of the Internal Revenue Code of 1986, as amended.

23 L. The Executive Director and such employees of the System as  
24 the Executive Director may designate are hereby authorized to

1 prepare certified copies of records of the System and every such  
2 certified copy shall be admissible in any proceeding in any court in  
3 like manner as the original thereof.

4 M. On or after July 1, 2011, the Board may permit, effective  
5 for applicable notices, elections and consents provided or made for  
6 a member, beneficiary, alternate payee or individual entitled to  
7 benefits under the System, the use of electronic media to provide  
8 applicable notices and make such elections and consents as described  
9 in Section 1.401(a)-21 of the Income Tax Regulations.

10 N. The Board shall develop such procedures and may require such  
11 information from the distributing plan as it deems necessary to  
12 reasonably conclude that a potential rollover contribution is a  
13 valid rollover contribution under Section 1.401(a)(31)-1, Q&A-  
14 14(b)(2), of the Income Tax Regulations.

15 SECTION 3. AMENDATORY 47 O.S. 2011, Section 2-305.1A, as  
16 amended by Section 2, Chapter 52, O.S.L. 2012 (47 O.S. Supp. 2014,  
17 Section 2-305.1A), is amended to read as follows:

18 Section 2-305.1A A. This section applies to distributions made  
19 on or after January 1, 2002. Notwithstanding any provision of the  
20 System to the contrary that would otherwise limit a Distributee's  
21 election hereunder, a Distributee, including a nonspouse designated  
22 beneficiary, to the extent permitted under paragraph 3 of subsection  
23 B of this section, may elect, at the time and in the manner  
24 prescribed by the Board, to have any portion of an Eligible Rollover

1 Distribution paid directly to an Eligible Retirement Plan specified  
2 by the Distributee in a Direct Rollover.

3 B. As used in this section:

4 1. "Eligible Rollover Distribution" means any distribution of  
5 all or any portion of the balance to the credit of the Distributee,  
6 except that an Eligible Rollover Distribution does not include: any  
7 distribution that is one of a series of substantially equal periodic  
8 payments (not less frequently than annually) made for the life (or  
9 life expectancy) of the Distributee or the joint lives (or life  
10 expectancies) of the Distributee and the Distributee's designated  
11 beneficiary, or for a specified period of ten (10) years or more;  
12 any distribution to the extent such distribution is required under  
13 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended;  
14 and the portion of any distribution that is not includable in gross  
15 income. A portion of a distribution shall not fail to be an  
16 Eligible Rollover Distribution merely because the portion consists  
17 of after-tax member contributions which are not includable in gross  
18 income. However, such portion may be transferred only:

19 a. from January 1, 2002, through December 31, 2006:

20 (1) to an individual retirement account or annuity  
21 described in Section 408(a) or (b) of the  
22 Internal Revenue Code of 1986, as amended, or  
23 (2) in a direct trustee-to-trustee transfer, to a  
24 qualified trust which is part of a defined

1 contribution plan that agrees to separately  
2 account for amounts so transferred, including  
3 separately accounting for the portion of such  
4 distribution which is includable in gross income  
5 and the portion of such distribution which is not  
6 so includable~~r,~~ and

7 b. on or after January 1, 2007:

8 (1) to an individual retirement account or annuity  
9 described in Section 408(a) or (b) of the  
10 Internal Revenue Code of 1986, as amended, or

11 (2) in a direct trustee-to-trustee transfer to a  
12 qualified trust or an annuity contract described  
13 in Section 403(b) of the Internal Revenue Code of  
14 1986, as amended, and such trust or contract  
15 provides for separate accounting for amounts so  
16 transferred (and earnings thereon), including  
17 separately accounting for the portion of such  
18 distribution which is includable in gross income  
19 and the portion of such distribution which is not  
20 so includable.

21 Effective for distributions after December 31, 2007, such after-  
22 tax portion may also be directly transferred to a Roth individual  
23 retirement account or annuity described in Section 408A of the  
24 Internal Revenue Code of 1986, as amended, ("Roth IRA"), subject to

1 any limitations described in Section 408A(c) of the Internal Revenue  
2 Code of 1986, as amended-;

3 2. "Eligible Retirement Plan" means an individual retirement  
4 account described in Section 408(a) of the Internal Revenue Code of  
5 1986, as amended, an individual retirement annuity described in  
6 Section 408(b) of the Internal Revenue Code of 1986, as amended, an  
7 annuity plan described in Section 403(a) of the Internal Revenue  
8 Code of 1986, as amended, or a qualified trust described in Section  
9 401(a) of the Internal Revenue Code of 1986, as amended, that  
10 accepts the Distributee's Eligible Rollover Distribution. Effective  
11 January 1, 2002, an Eligible Retirement Plan shall also mean an  
12 annuity contract described in Section 403(b) of the Internal Revenue  
13 Code of 1986, as amended, and an eligible plan under Section 457(b)  
14 of the Internal Revenue Code of 1986, as amended, which is  
15 maintained by a state, political subdivision of a state, or any  
16 agency or instrumentality of a state or political subdivision of a  
17 state and which agrees to separately account for amounts transferred  
18 into such plan from the System. Effective for distributions after  
19 December 31, 2007, an Eligible Retirement Plan includes a Roth IRA,  
20 subject to any limitations under Section 408A(c) of the Internal  
21 Revenue Code of 1986, as amended-;

22 3. "Distributee" means an employee or former employee. In  
23 addition, the employee's or former employee's surviving spouse and  
24 the employee's or former employee's spouse or former spouse who is

1 the alternate payee under a qualified domestic order, as defined in  
2 subsection B of Section 2-303.3 of this title, are Distributees with  
3 regard to the interest of the spouse or the former spouse.  
4 Effective for distributions after December 31, 2006, a Distributee  
5 also includes the member's nonspouse designated beneficiary (and  
6 certain trusts described in Section 402(c)(11)(B) of the Internal  
7 Revenue Code of 1986, as amended), pursuant to Section 401(a)(9)(E)  
8 of the Internal Revenue Code of 1986, as amended, who may elect any  
9 portion of a payment to be made in a Direct Rollover only to a  
10 traditional individual retirement account or annuity (other than an  
11 endowment contract) described in Section 408(a) or (b) of the  
12 Internal Revenue Code of 1986, as amended, ("IRA"), or, effective  
13 for distributions after December 31, 2007, to a Roth IRA, that is  
14 established on behalf of such nonspouse designated beneficiary for  
15 the purpose of receiving the distribution and that will be treated  
16 as an inherited IRA pursuant to the provisions of Section 402(c)(11)  
17 of the Internal Revenue Code of 1986, as amended. Also, in this  
18 case, the determination of any required minimum distribution under  
19 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended,  
20 that is ineligible for rollover shall be made in accordance with  
21 Notice 2007-7, Q&A 17 and 18, 2007-5 Internal Revenue Bulletin 395.  
22 The required minimum distribution rules of Section 401(a)(9)(B)  
23 (other than clause iv thereof) of the Internal Revenue Code of 1986,  
24 as amended, apply to the transferee IRA-; and

1       4. "Direct Rollover" means a payment by the System to the  
2 Eligible Retirement Plan specified by the Distributee.

3       C. At least thirty (30) days before and, effective for years  
4 beginning after December 31, 2006, not more than one hundred eighty  
5 (180) days before the date of distribution, the Distributee (other  
6 than a nonspouse designated beneficiary prior to July 1, 2010) must  
7 be provided with a notice of rights which satisfies Section 402(f)  
8 of the Internal Revenue Code of 1986, as amended, as to rollover  
9 options and tax effects. Such distribution may commence less than  
10 thirty (30) days after the notice is given, provided that:

11       1. The Board clearly informs the Distributee that the  
12 Distributee has a right to a period of at least thirty (30) days  
13 after receiving the notice to consider the decision of whether or  
14 not to elect a distribution; and

15       2. The Distributee, after receiving the notice, affirmatively  
16 elects a distribution.

17       D. For distributions made after December 31, 2006, but prior to  
18 July 1, 2010, a distribution with respect to a nonspouse designated  
19 beneficiary shall be made in accordance with Notice 2007-7, Q&A 15,  
20 2007-5 Internal Revenue Bulletin 395. Effective for plan years  
21 beginning after December 31, 2009, a distribution with respect to a  
22 nonspouse designated beneficiary shall be subject to Sections  
23 401(a)(31), 402(f) and 3405(c) of the Internal Revenue Code of 1986,  
24 as amended.

1        E. Effective for distributions after December 31, 2014, for  
2 purposes of determining the portion of a disbursement of benefits  
3 from the System to a Distributee that is not includable in gross  
4 income under Section 72 of the Internal Revenue Code of 1986, as  
5 amended, the guidance under I.R.S. Notice 2014-54 shall be followed.

6        SECTION 4.        AMENDATORY        47 O.S. 2011, Section 2-305.2, is  
7 amended to read as follows:

8        Section 2-305.2 A. In lieu of terminating employment and  
9 accepting a service retirement pension pursuant to Section 2-305 of  
10 this title, any member of the Oklahoma Law Enforcement Retirement  
11 System who has not less than twenty (20) years of participating  
12 service and who is eligible to receive a service retirement pension  
13 may make an irrevocable election to participate in the Oklahoma Law  
14 Enforcement Deferred Option Plan and defer the receipts of benefits  
15 in accordance with the provisions of this section.

16        B. For purposes of this section, participating service shall  
17 include service credit recognized pursuant to paragraphs (c) and (d)  
18 of Section 2-307, subsection B of Section 2-307.2, and Sections 2-  
19 309.1, 2-309.2, 2-309.3, 2-309.4, 2-309.5, and 2-309.6 ~~and 2-309.7~~  
20 of this title but for eligibility purposes only.

21        C. The duration of participation in the Oklahoma Law  
22 Enforcement Deferred Option Plan for a member shall not exceed five  
23 (5) years. Participation in the Oklahoma Law Enforcement Deferred  
24 Option Plan must begin the first day of a month and end on the last

1 day of the month. At the conclusion of a member's participation in  
2 the Oklahoma Law Enforcement Deferred Option Plan, the member shall  
3 terminate employment as a member of the Oklahoma Law Enforcement  
4 Retirement System, and shall start receiving the member's accrued  
5 monthly retirement benefit from the System. Such a member may  
6 continue to receive in-service distributions of such member's  
7 accrued monthly retirement benefit from the System if the member is  
8 reemployed by a state agency only if such reemployment is in a  
9 position not covered under the System.

10 D. When a member begins participation in the Oklahoma Law  
11 Enforcement Deferred Option Plan, the contribution of the member  
12 shall cease. The employer contributions shall continue to be paid  
13 in accordance with Section 2-304 of this title. Employer  
14 contributions for members who elect the Oklahoma Law Enforcement  
15 Deferred Option Plan shall be credited equally to the Oklahoma Law  
16 Enforcement Retirement System and to the member's Oklahoma Law  
17 Enforcement Deferred Option Plan account. The monthly retirement  
18 benefits that would have been payable had the member elected to  
19 cease employment and receive a service retirement shall be paid into  
20 the member's Oklahoma Law Enforcement Deferred Option Plan account.

21 E. 1. A member who participates in this plan shall be eligible  
22 to receive cost of living increases.

23 2. A member who participates in this plan shall earn interest  
24 at a rate of two percentage points below the rate of return of the

1 investment portfolio of the System, but no less than the actuarial  
2 assumed interest rate as certified by the actuary in the yearly  
3 evaluation report of the actuary. The actuarial assumed interest  
4 rate shall be seven and five-tenths percent (7.5%) until the Board  
5 amends the actuarial assumed interest rate prospectively by  
6 resolution. The interest shall be credited to the individual  
7 account balance of the member on an annual basis.

8 F. A member in the Oklahoma Law Enforcement Deferred Option  
9 Plan shall receive, at the option of the member:

10 1. A lump-sum payment from the account equal to the option  
11 account balance of the member, payable to the member;

12 2. A lump-sum payment from the account equal to the option  
13 account balance of the member, payable to the annuity provider which  
14 shall be selected by the member as a result of the research and  
15 investigation of the member; or

16 3. Any other method of payment if approved by the Board.

17 Notwithstanding any other provision contained herein to the  
18 contrary, commencement of distributions under the Oklahoma Law  
19 Enforcement Deferred Option Plan shall be no later than the time as  
20 set forth in paragraph 7 of Section 2-300 of this title.

21 If a member meets the definition of disability as defined in  
22 paragraph 11 of Section 2-300 of this title by direct reason of the  
23 performance of the member's duties, the payment from the account  
24 shall be an in-line-of-duty disability payment.

1 G. If the member dies during the period of participation in the  
2 Oklahoma Law Enforcement Deferred Option Plan, a lump-sum payment  
3 equal to the account balance of the member shall be paid to the  
4 designated beneficiary as defined in paragraph 17 of Section 2-300  
5 of this title, or if there is no designated beneficiary or the  
6 designated beneficiary predeceases the member, to the estate of the  
7 member. If such member was receiving, or eligible to receive, an  
8 in-line-of-duty disability pension pursuant to subsection E or F of  
9 Section 2-305 of this title at the time of death, payment of the  
10 account balance shall be an in-line-of-duty disability payment.

11 H. In lieu of participating in the Oklahoma Law Enforcement  
12 Deferred Option Plan pursuant to subsections A, B, C, D, E and F of  
13 this section, a member may make an irrevocable election to  
14 participate in the Oklahoma Law Enforcement Deferred Option Plan  
15 pursuant to this subsection as follows:

16 1. For purposes of this subsection, the following definitions  
17 shall apply:

- 18 a. "back drop date" means the date selected by the member  
19 which is up to five (5) years before the member elects  
20 to participate in the Oklahoma Law Enforcement  
21 Deferred Option Plan, but not before the date at which  
22 the member completes twenty (20) years of  
23 participating service,  
24

- 1           b. "termination date" means the date the member elects to  
2 participate in the Oklahoma Law Enforcement Deferred  
3 Option Plan pursuant to this subsection and the date  
4 the member terminates employment and starts receiving  
5 the member's accrued monthly retirement benefit from  
6 the System. Such termination has at all times  
7 included reemployment of a member by a state agency,  
8 but only in a position not covered under the System,
- 9           c. "earlier attained participating service" means the  
10 participating service earned by a member as of the  
11 back drop date. Earlier attained participating  
12 service cannot be reduced to less than twenty (20)  
13 years of participating service, and
- 14           d. "deferred benefit balance" means all retirement  
15 benefits that would have been paid from the back drop  
16 date to the termination date, and one-half (1/2) of  
17 the employer contributions from the back drop date to  
18 the termination date, with interest based on how the  
19 benefit would have accumulated on a compound annual  
20 basis as if the member had participated in the  
21 Oklahoma Law Enforcement Deferred Option Plan pursuant  
22 to subsections A, B, C, D and E of this section from  
23 the back drop date to the termination date;
- 24

1       2. At the termination date, a member's monthly pension benefit  
2 shall be determined based on the earlier attained participating  
3 service and on the final average salary as of the back drop date.  
4 The member's individual deferred option account shall be credited  
5 with an amount equal to the deferred benefit balance; the member  
6 shall terminate employment and shall start receiving the member's  
7 accrued monthly retirement benefit from the System. The member  
8 shall, upon application filed with the Board, be refunded from the  
9 fund an amount equal to the accumulated contributions the member  
10 made to the fund from the back drop date to the termination date,  
11 but excluding any interest. Such termination has at all times  
12 included reemployment of a member by a state agency, but only in a  
13 position not covered under the System. The provisions of  
14 subsections B, C, E, F and G of this section shall apply to this  
15 subsection; and

16       3. A member may participate in the Oklahoma Law Enforcement  
17 Deferred Option Plan pursuant to this subsection even if the member  
18 has elected to participate in the Oklahoma Law Enforcement Deferred  
19 Option Plan pursuant to subsections A, B, C, D, E and F of this  
20 section. Such a member may select a back drop date which is up to  
21 five (5) years prior to the termination date, but not before the  
22 date at which the member completes twenty (20) years of  
23 participating service. Such a member's participation in the  
24 Oklahoma Law Enforcement Deferred Option Plan may not exceed five

1 (5) years when combined with such a member's prior period of  
2 participation in the Oklahoma Law Enforcement Deferred Option Plan.  
3 The provisions of subsections B, C, E, F and G of this section shall  
4 apply to this subsection.

5 SECTION 5. It being immediately necessary for the preservation  
6 of the public peace, health and safety, an emergency is hereby  
7 declared to exist, by reason whereof this act shall take effect and  
8 be in full force from and after its passage and approval.

9 COMMITTEE REPORT BY: COMMITTEE ON PENSIONS  
10 March 30, 2015 - DO PASS

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